



BUDGET BRIEFS

BUDGET HEARINGS:

Week 3

SUMMARY OF SENATE BUDGET AND FISCAL REVIEW (SBFR) HEARINGS:

- ✍️ FULL COMMITTEE**
- ✍️ SUB 1 (EDUCATION) MARCH 15**
- ✍️ SUB 2 (RESOURCES & TRANSPORTATION) MARCH 15**
- ✍️ SUB 3 (HEALTH AND HUMAN SERVICES) MARCH 19**
- ✍️ SUB 4 (STATE ADMINISTRATION) MARCH 14**
- ✍️ SUB 4 (STATE ADMINISTRATION) MARCH 19**

FULL COMMITTEE

MIKE GENEST, STAFF DIRECTOR

✍️ The Committee will hear the issue of excess vacancies in state government on Thursday, March 22 at 8:00 A.M. in room 4203.

SUB 1 (EDUCATION) MARCH 15

ROGER MACKENSEN, CONSULTANT

✍️ ***Year Round Instruction.*** Approved unanimously \$33.1 million for UC and CSU for summer enrollment at three UC campuses and four CSU campuses, and added budget bill language requiring UC and CSU to annually report on their summer term enrollment. Also added supplemental report language to require UC and CSU to develop five-year capital outlay plans based on goals for summer enrollment to minimize the need to construct new facilities as enrollment growth increases.

✍️ ***California State University.*** The Subcommittee took the following actions:

✍️ Approved unanimously a \$196 million increase in CSU's budget, including \$56 million to fund three percent enrollment growth, \$17 million to buy out a 4.5-percent fee increase, and \$19 million to fund a 185-percent increase for CSU to provide education technology professional development for K-12 teachers. Checklisted \$20 million in one-time funds for deferred maintenance, libraries, and technology.

✍️ Approved unanimously \$207 million from general obligation bonds for CSU capital outlay projects.

~~2~~ **University of California.** The Subcommittee took the following actions:

- ~~2~~ Approved unanimously a \$175 million increase in UC's budget, including \$52 million to fund three percent enrollment growth, \$22 million to buy out a 4.9-percent fee increase, and \$3 million to fund research on invasive species and develop solutions to Pierce's Disease. Checklisted \$48 million in one-time funds, including \$20 million for deferred maintenance, libraries and technology and \$18 million for continued development of Internet II.
- ~~2~~ Approved unanimously \$2 million in one-time funds for start-up operational costs at UC Merced. Approved 2-0 (Vasconcellos abstaining) \$160 million (General Fund) for UC Merced site development, construction of two facilities, and preliminary plans and working drawings for a third facility.
- ~~2~~ Approved unanimously \$75 million (General Fund) for the second year of a four-year plan to develop three UC Institutes for Science and Innovation. Checklisted \$33 million for the first year of a proposed three-year plan to develop a fourth Institute at UC Berkeley.
- ~~2~~ Approved unanimously \$198 million from general obligation bonds for other UC capital outlay projects; put over to April 25th hearing consideration of Davis Veterinary Medicine facility, Riverside Heckman Center, UCSF-Fresno Medical Center, and San Diego Pharmacy School.

SUB 2 (RESOURCES & TRANSPORTATION) MARCH 15

ALEX ALANIS, CONSULTANT

- ~~2~~ **The Office of Traffic Safety.** The subcommittee approved three positions to process an increase in traffic safety grant applications. The positions will be funded entirely from the Federal Trust Fund.
- ~~2~~ **California Highway Patrol.** At the CHP's request, the subcommittee rescheduled their hearing because a patrol officer was killed in the line of duty on the day their budget was scheduled to be heard.

SUB 3 (HEALTH AND HUMAN SERVICES) MARCH 19

SHARON BISHOP, CONSULTANT

- ~~2~~ **Deleted Funds to Evaluate the Faith-Based Employment Initiative.** The current-year budget includes a \$5 million appropriation that has been awarded to various faith-based community organizations to reach out to difficult-to-serve populations. The Governor has proposed another \$5 million for the budget year, but this and other one-time funding proposals totaling \$1.9 billion have been eliminated. Subcommittee No. 3 deleted \$250,000 in proposed funding for an evaluation of these new and innovative projects. Although Senator Haynes agreed to deleting the funds for the evaluation, he stated that he would like to see the \$5 million for services restored.
- ~~2~~ **Mental Health – More Expansions in the Works.** In addition to approving a number of budget increases proposed by the Governor, the Democrats moved to put a significant amount of potential funding on the "Suspense List." Probable General Fund augmentations include: \$1.6 million for Community Treatment Facilities; \$15 million for the Adult Systems of Care; \$25 million for Supportive Housing; \$7.1 million for Murphy Conservatorships; and \$1.2 million to increase Personal and Incidental money for state hospital patients.

SUB 4 (STATE ADMINISTRATION) MARCH 14

TOM SHEEHY, CONSULTANT

✍️ ***Little discussion and no action on Consumer Affairs vacancy shell game.*** The Subcommittee failed to take action against the Department of Consumer Affairs (DCA), even though they admitted to “churning” over 130 vacant state positions for the sole purpose of retaining them. DCA then revealed it has over \$7 million in an unspent bureaucratic slush fund that is being diverted to other purposes not approved by the Legislature. In fact, the Democrats would not even put the issue on the agenda. Instead, Senator Ackerman had to raise the issue before the Subcommittee could rubber-stamp the Governor’s budget proposal that would ultimately end any discussions about the “shell game”.

✍️ ***The balance of the Consumer Affairs budget was approved as budgeted with very little discussion about significant issues.*** Subcommittee No.4 is spending a lot of time asking departments about various reports due to the Legislature. Unfortunately, the Subcommittee spends very little time actually performing any real oversight on how departments are spending their funds. There is practically no discussion about how government services may be improved or made more efficient. The majority on the Subcommittee seem content to approve whatever the Governor has proposed without questioning or holding departments accountable.

SUB 4 (STATE ADMINISTRATION) MARCH 19

TOM SHEEHY, CONSULTANT

✍️ ***LAO recommends up to 20 percent in fee increases for the Alcoholic Beverage Control Fund – no action taken.*** The Department of Alcoholic Beverage Control (ABC) licenses and regulates the manufacture, sale, purchase, and transportation of alcoholic beverages within the state. The ABC fund has had a declining balance for a number of years. The Governor’s Budget projects a reserve of \$2.6 million at the end of 2001-02. This represents about one month’s operation worth of expenditures. Typically, most special funds have reserves which would cover several months of operations. The ABC receives revenue from 61 different types of manufacture, importer and wholesale liquor licenses. Fees have not been adjusted since 1978. The LAO recommends the Legislature amend the ABC law to allow the ABC to increase fees with a limit of 20 percent over a specified period. No action was taken.

✍️ ***The Department of Corporations (DOC) withholds details on its fee reduction proposal.*** The DOC regulates securities, franchise investments, lender and fiduciary plans in order to protect the public from fraudulent and improper business practices. The DOC is supported by license fees and assessments charged to regulated companies. In 1998 the State Corporations Fund had an accumulated fund balance of approximately \$29 million or more than one year’s operating revenue. The 2001-02 Governor’s Budget projects that the DOC Fund will have an ending balance of \$37.8 million or 162 percent of proposed expenditures. Despite this substantial and growing fund balance, the DOC would not share its plans for lowering fees and reducing the surplus. The DOC budget was left open.

✍️ ***No actions taken on Governor’s infrastructure and housing initiatives.*** The Governor’s Budget includes a \$200 million augmentation for the jobs-housing balance program initiated in 2000 and it also includes \$20.2 million for a Central Valley infrastructure grant program. These funds were removed from the budget on March 1, 2001 by an action of the full Budget Committee pending additional information on state revenues at the May Revision. These items were heard as part of the Housing and Community Development budget items, but no action was taken.

For further information, please contact the Senate Republican Fiscal Office, at (916) 323-9221.
